

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Cache Valley Banking Company and Cache Valley Bank

Point of Contact:	Gregg Miller	RSSD: (For Bank Holding Companies)	2324997
UST Sequence Number:	314	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	9,407,000	FDIC Certificate Number: (For Depository Institutions)	22134
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 23, 2008	City:	Logan
Date Repaid ¹ :	N/A	State:	Utah

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

We have increased lending more than what could have occurred without the capital infusion. Total net loans increased from \$139.9 million in December 2008 to \$205.2 million in December 2010.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Loan increased in these areas: 1-4 Family Construction \$3.0 million, Development Loans \$7.3 million, Owner Occupied Property \$21.6 million Farm Operating \$2.4 million, Commercial Loans \$4.4 million, Non- Farm Non-Residential Real Estate \$13.8 million.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Cache Valley Banking Company and Cache Valley Bank

☐ Increase securities purchased (ABS, MBS, etc.).

☒ Make other investments.

We purchased an interest in a FDIC created LLC. This LLC included a portfolio of loans with many from our market area. We will be collecting these loans as a partner with FDIC over the next seven years.

☒ Increase reserves for non-performing assets.

Loan loss reserves increased from 12-31-08 of \$2.9 million to \$4.9 million as of December 31, 2010

☐ Reduce borrowings.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Cache Valley Banking Company and Cache Valley Bank

☐ Increase charge-offs.

☒ Purchase another financial institution or purchase assets from another financial institution.

We entered into an agreement with the FDIC to serve as the paying agent for the liquidation of the deposits of a failed institution. This resulted in us opening an office in Layton.

☐ Held as non-leveraged increase to total capital.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Cache Valley Banking Company and Cache Valley Bank

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We are not aware of any actions that we avoided because of receiving the capital. Cache Valley Bank was a sound institution prior to receiving the capital infusion under the program. The decision to accept the funding was made as an insurance policy against the uncertain world facing the bank in December 2008. We applied for the program and were quickly approved and then closed. This happened prior to the bad image of a bail out surfaced around Christmas time when members of Congress returned home. In hind sight we have questioned if we had known how negatively the public viewed the program we may not have taken the capital. At the time, we were lead to believe by regulators that if you were not admitted to the program you would be viewed as being a troubled institution. If we had not entered the program, many of the small businesses, farms and families in our market area that we have been able to help would not have received funding. It has been a good thing for them and for us. The injection of \$9.4 million dollars of capital into the Northern Utah market area is a good thing for all parties that are dependent on the economic growth of this area.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Cache Valley Banking Company and Cache Valley Bank

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

We would not have been able to support the growth that we have experienced in our loan portfolio. Many small businesses, farms and families may have not been able to get credit or would have had to go to large regional institutions for it. We would not have entered into the paying agent agreement with the FDIC for a failed bank which lead to us opening an additional branch in a market that had three banks fail leaving a need for a community bank. We would not have made the purchase of an interest in the FDIC created LLC which is managing the liquidation of a number of development loans in our market area. We believe our involvement in this entity has aided in stabilizing real estate values by avoiding the dumping of properties on the market by allowing developers time to liquidate their projects.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Cache Valley Banking Company and Cache Valley Bank

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The growth of the bank has resulted in the bank increasing our staff. We have staffed a branch in Layton. We have hired a group of employees to manage the FDIC LLC and we have increased our staff to handle our internal growth. This has created good jobs in our market.